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# REPORT OF THE MANAGER OF THE FEDERAL CROP INSURANCE CORPORATION, 1945

UNITED STATES DEPARTMENT OF AGRICULTURE,  
PRODUCTION AND MARKETING ADMINISTRATION,  
FEDERAL CROP INSURANCE CORPORATION,  
Washington, D. C., October 15, 1945.

MR. J. B. HUTSON,  
*Administrator, Production and Marketing Administration.*

DEAR MR. HUTSON: I present herewith the Annual Report of the Federal Crop Insurance Corporation for the fiscal year 1945.

The Corporation was in a liquidating status during approximately the first half of the fiscal year. An amendment to the Federal Crop Insurance Act, approved December 23, 1944, placed the Corporation in active operation again. In 1945 the Corporation insured spring-planted crops of wheat, flax, and cotton on a Nation-wide basis and corn and tobacco on a trial basis in a limited number of counties. This report deals primarily with the revived activities of the Corporation rather than with the liquidating activities during the early part of the fiscal year. In the report, emphasis has been placed on the changes that were made in the crop-insurance program, some as a result of the amendment to the legislation and some as a result of administrative action.

Sincerely yours,

J. CARL WRIGHT, *Manager.*

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PRODUCTION AND MARKETING ADMINISTRATION,  
Washington, D. C., October 20, 1945.

HON. CLINTON P. ANDERSON,  
*Secretary of Agriculture.*

DEAR MR. SECRETARY: Herewith is the report of the Federal Crop Insurance Corporation for the fiscal year ended June 30, 1945.

Sincerely yours,

J. B. HUTSON, *Administrator.*

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## INTRODUCTORY STATEMENT

At the time of submitting the annual report for 1944, the Federal Crop Insurance Corporation was in a liquidating status. The liquidating activities resulted from congressional action through restricted appropriations for 1944 and 1945 and not from any change in the Federal Crop Insurance Act. However, the act itself was amended December 23, 1944, changing certain provisions thereof and repealing the legislative provisions of the 1944 and 1945 Agricultural Appropriation Acts. Until this new amendment was passed by Congress, liquidating activities continued in the fiscal year 1945.

As no insurance was written on crops planted for harvest after 1943, the principal liquidating activities represented the payment of some indemnities on the 1943 crops and a concerted effort to collect outstanding premiums on past insurance business. The work load was decreasing, consequently, personnel was being currently reduced until there were only 75 employees in the field and in the headquarters office when the act was amended. As the new legislation authorized the insurance of 1945 crops, there was a sudden change from liquidating activities to intensive preparation for the writing of new business. This report will deal primarily with the activities of the Corporation following the new amendment to the act.

## CHANGES IN PROGRAM

Wheat was insured during the 5-year period 1939-43 and cotton during the 2-year period 1942-43. In each year indemnities exceeded premiums for both wheat and cotton. The amendment to the act in December 1944 was made by Congress with a view to eliminating these deficits from future operations and of bringing crop insurance protection to a larger number of farmers. This amendment required some changes from the previous crop-insurance programs. Administrative changes also were made to further improve the program operations. The more important of these changes follow.

## INSURABLE COMMODITIES

Federal crop-insurance protection is now available on a Nation-wide basis to producers of wheat, cotton, and flax. However, insurance was limited administratively in 1945 to spring-planted crops because fall-planted crops were planted before the act was amended. Insurance is also offered on a trial basis in 1945 on corn and tobacco. The purpose of trial insurance, as provided in the new legislation, is to determine the most practical plan, terms, and conditions of insurance on the commodities. It is limited on each commodity to a period of 3 years and to 20 counties. The counties are to be representative of the various producing areas and, although they are limited to 20, it is not intended that the maximum number would be used unless necessary for adequate representation. Sufficient actuarial data must be available before a trial program can be put into effect.

Trial insurance is also provided in the new legislation for other commodities in 1946 and future years. It can be started on only three additional commodities each year. Although not limited thereto, the following are mentioned in the act as the additional commodities on which such insurance may be started: Dry beans, oats, barley, rye, rice,



peanuts, soybeans, sugar beets, sugar cane, timber and forests, potatoes and other vegetables, citrus and other fruits, and tame hay.

In prior years, insurance protection was available only to producers of wheat and cotton and there was no provision for trial insurance on other commodities.

#### PLANS OF INSURANCE

New plans of insurance are being tried in the trial insurance programs. Federal crop insurance, since its inception in 1939, has been protection against loss of yield with the amount of insurance coverage not exceeding 75 percent of the long-time average yield for the insured farm. Under this plan of insurance, if the yield in the year of insurance was less than the coverage, the insured was indemnified for the shortage. Although this plan is being used in the trial insurance program, insurance against loss of investment is also being tried. Under the loss-of-investment plan the coverage may not exceed 75 percent of the investment in the crop. If the returns from the crop in the year of insurance are less than the coverage, the grower is indemnified for the shortage. Certain modifications of these plans are also being tried. The plans are discussed more fully under the section on Trial Insurance.

#### PROTECTION INCREASES AS CROP PROGRESSES

There was included in the 1945 program for all the insurable commodities a plan whereby the amount of insurance protection increases with the progress of the crop. If the crop is destroyed or substantially destroyed early in the growing season but after it is too late to replant to the insured commodity and the acreage is released by the Corporation for other use the amount of protection is only 40 to 50 percent (depending upon the commodity) as large as it would be if the crop were harvested. From there on, the amount of protection increases progressively with the stages of the crop. Two methods are used to effect this modification of the insurance protection. If a complete loss occurs early in the season on cotton, corn, or tobacco, and the acreage is released, the coverage itself is reduced. If such a loss occurs on wheat or flax, the coverage is not reduced but a minimum amount of production is credited against the full coverage.

The plan for progressive insurance protection is designed to make a sounder insurance program than that prevailing in prior years. It was found from experience in previous wheat and cotton programs that frequently a grower could obtain more net income from an indemnity than from a crop if he did not incur the full cost of producing and harvesting his crop. A typical example of this is found in the treatment of two insured growers, one of whom produced the insured yield while the other had a total crop failure. Both of these growers obtained the insured yield from either actual production or an indemnity, yet the second grower incurred no harvesting and marketing costs and, in the case of cotton, may even have saved earlier production costs. He also may have received an income from a substitute crop. In such a case it frequently was more profitable to have a loss than to produce a crop.

The plan for progressive insurance protection avoids overinsurance and is consistent with the insurance principle that insurance should give protection against loss and not provide an opportunity for profit.

### PREMIUM RATES

The Corporation adopted a policy for 1945 of generally charging a uniform premium rate per acre for all farms in a county rather than charging a separate premium rate for each individual farm. Such a rate is, for example, 1½ bushels of wheat per acre regardless of the average yield (and consequently of the coverage) for the farm. For investment insurance, in which the coverage is stated in dollars, the rate might be, for example, \$5 per acre.

Formerly a separate premium rate was established for each farm because the act at that time provided that premiums should be fixed on the basis of the recorded or appraised average crop loss on the insured farm for a representative base period. When the legislation was amended, this provision was omitted. The only requirement of the amendment is that the Corporation establish premium rates which the Board of Directors deem adequate to cover claims for crop losses and to establish, as expeditiously as possible, a reasonable reserve against unforeseen losses.

The plan of individual farm premium rates adjusted to the risk on the individual farm has not been discarded as unsound in principle, but it was found from past experience that it was not practical to fit rates to all individual farms. Inability to measure accurately the difference in risks between farms makes a uniform rate desirable. Although at present most premium rates are uniform for the county, provision is still made for higher rates on farms known to be subject to extra hazards.

Under the plan of individual farm rates, farms with low average yields (and consequently low coverage) frequently also had low premium rates. The premium for such farms, expressed as a percentage of the coverage, was little if any higher than for the better farms with higher average yields and more stable production, although the experience indicated that losses were generally greater on such low-yielding farms. Under the present plan of using a uniform rate per acre for the county, the premium expressed in percent of coverage for such farms increases substantially, and it is believed this will result in stimulating insurance on the better farms.

In line with the provisions of the original and amended legislation, premium rates do not include a charge for the cost of administration. Administrative costs are paid for by annual appropriation. The amended legislation provides that beginning in 1950 such appropriation shall be limited to an amount not exceeding 25 percent of the premiums collected in the preceding year.

### ORGANIZATION FOR FIELD WORK

In 1945 the Corporation set up a new field service consisting of State directors, district supervisors directly under them, and county loss adjusters who are paid only when they are actually employed. Previously all the field administration in States and counties was performed by State and county committees of the Agricultural Adjustment Agency. The State director will now share responsibility with the AAA State committee for the success of the program in the State, including public relations. His organization will be entirely responsible for the adjustment of losses. Although he advises and cooperates



with the Agricultural Adjustment Agency, that organization will continue to perform the following four functions:

1. The establishment of average yields and premium rates for individual farms under procedures of the Corporation and subject to approval of the State director,

2. The organization and administration of selling insurance,

3. The determination of insured acreage, and

4. The collection of premiums.

The performance of the loss-adjustment work by the State director and his staff places that work in a group independent of that engaged in the selling of insurance. It is believed that the adjustment of losses and the selling of insurance should be separate so that those who sell insurance do not determine the liability for loss. It is believed also, that if a separate adjustment organization is established, there will be less turn-over in the adjustment staff and that the Corporation will receive the benefit of the experience which persons once trained in that work will acquire year after year.

To take care of cases where the insured and the adjuster cannot agree on the amount of loss, provision was made in 1945 for an adjustment-appeal committee, which will serve without pay. It will be composed of three members, one of whom will be designated by the insured producer and another by a Corporation representative. These two members will jointly designate the third member. The decision of the committee must be based on facts and is subject to the terms of the insurance contract.

In 1945 the Corporation operated three branch offices, each servicing the insurance on all commodities insured in its area. Formerly there were four branch offices, two for wheat and two for cotton, and some overlapping of the territory covered. The addition of insurance on flax, corn, and tobacco, with other commodities to be added on a trial basis in future years, made the commodity specialization by branch offices impracticable. The branch offices are located in Birmingham, Chicago, and Denver. Their functions are primarily auditing and accepting applications for insurance; auditing acreage reports and premium computations; establishing the cash equivalent of premiums; receiving, auditing, and accounting for premium collections; auditing loss claims and certifying payment of indemnities; and furnishing supplies and equipment to, and paying for services rendered by, State crop insurance officials.

#### SELLING INSURANCE

In 1945 the Corporation, through the AAA State and county committees, appointed agents to sell insurance and paid these agents on a commission basis. In previous years, insurance was sold in the county AAA office and by the county and community AAA committeemen who were paid on a per diem basis. Much of the insurance is still sold in the county office. Community committeemen even now constitute the largest group of agents but many others are selling insurance also, including merchants, bankers, farmers, gin or elevator operators, insurance agents, and teachers.

The change from the per diem basis of compensation to the commission basis was made with a view to attracting the more efficient agents. The commission is based in part upon a flat amount per

contract and in part on the size of the premium. Although it is a customary insurance practice to base the commission on the size of the premium, the inclusion of a flat amount places emphasis not only on the volume of premiums but also on the number of farmers insured. A maximum limitation is placed on the amount of commission for any application.

#### MINIMUM-PARTICIPATION REQUIREMENT

The new amendment requires that applications must be filed in a county covering at least 50 farms or one-third of the farms normally producing the commodities authorized to be insured before insurance will be provided in the county. This minimum does not apply separately to each commodity but to all the commodities combined that are authorized to be insured. A minor exception that will permit farms situated in a local producing area bordering on a county with a crop insurance program to be insured in such bordering county is provided.

In previous years there was no minimum-participation requirement for an insurance program in a county. The purpose of this minimum requirement in the new amendment was, in part, to eliminate the expense of operating the program in counties where there is not a substantial demand for insurance. It also was believed that those persons desiring insurance in a county would use their influence to convince other farmers in the county of the merits of carrying insurance protection on their crops so as to reach the minimum. The effect of this requirement is set forth in a later section of this report.

#### INSURED ACREAGE

A new basis for determining insured acreage—making wide use of the insured's own report of his acreage—had to be used in 1945 because of wartime shortage of manpower. In the early operation of the program, acreage measurements obtained in connection with other agricultural programs were also available for use in the crop-insurance program. Under the new plan, the acreage reported by the insured was the basis for the collection of premiums. To prevent the insured farmer from changing his reported acreage to his advantage, depending on the condition of the crop, it was provided that the acreage once reported could not be revised upward by the insured. In other words, the insured acreage was limited to the acreage he reported. However, if the insured claimed a loss on his crop, the acreage was measured. If the measurement revealed that the actual acreage was in excess of that reported, the total production was apportioned to determine that part applicable to the insured acreage. On the other hand, provision was made that if the insured overreported his acreage and a loss was incurred, the indemnity would be paid and the premium charged only on the actual acreage.

Beginning in 1945, it was also provided that if an insured farmer's crop was destroyed while there was still time to reseed to that crop and he failed to reseed, such acreage would not be considered as insured. In previous years such acreage was considered as insured and a premium was collected, although that portion of the loss due to failure to replant was not covered by insurance.



### OTHER CHANGES

The new amendment clarified the Corporation's power to refuse or limit insurance on the basis of the insurance risk involved. The Corporation may either refuse or limit insurance in any county or area, or on any farm, where the risk of loss is so large or unmeasurable that insurance cannot be offered on a sound basis. Under this authority, the Corporation is classifying certain farms as noninsurable because of an exceptionally high or unmeasurable risk of loss with respect to the production of the commodity.

The new amendment requires that a list of indemnities paid in each county must be posted annually in the county courthouse. This gives all farmers in a county the opportunity to inspect the loss record which may influence the future cost of insurance to them, especially since the adoption of the uniform premium rate for the county.

Under the amended legislation the Corporation can be sued for indemnity claims in State courts of record as well as Federal courts. Previously suits could be brought only in Federal courts.

Beginning in 1945 interest is charged on premium notes after maturity with the exception that no interest is charged on any amount paid within 2 months following maturity. No interest is charged prior to maturity because the note is a commodity note which saves the Corporation the cost of storage which would have to be paid if the commodity itself were held rather than the note. In previous years no interest was charged on the notes either before or after maturity but this charge was made in 1945, because it was believed such charge would encourage prompt payment after maturity.

Under legislation enacted in February 1945, the financial transactions of all Government Corporations are to be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions. A report of such audit for each fiscal year is to be made by the Comptroller General to the Congress. Although this is new legislation, it is not anticipated that it will materially affect the audit of the activities of this Corporation, since the Federal Crop Insurance Act already provided that the financial transactions be audited at least once each year by the General Accounting Office for the sole purpose of making a report to Congress.

### OPERATING PROBLEMS

#### TIME LIMITATIONS

The recent amendment providing for insurance on 1945 crops was not passed until December 23, 1944. This gave but little time to prepare for insuring 1945 crops. The writing of cotton insurance had to be completed in the extreme southern counties of Texas before the end of February and over a large part of the Cotton Belt before March 15. Although time available was the shortest for cotton, the insurance program had to be prepared for all five commodities and the insurance written within a period of about 4 months. Therefore, the work on all the commodities had to proceed concurrently.

Developing the new provisions of the program required much consideration and study, not only by the headquarters staff, but also by those who would administer it in the field. Consequently, more time

was required for the preparation of the program than if few changes had been made. Under normal operating conditions the preparation for an annual program is begun 6 to 10 months in advance.

#### PERSONNEL AND OTHER LIMITATIONS

The sudden change from operating under a liquidating status to intense active operations presented many problems. During the period of liquidation the Corporation's staff in the headquarter's office and in the field had been reduced from about 470 employees to 73. Some of the former employees returned to the Corporation. Many, however, either were established in new organizations and did not return or had entered the armed services. In fact, by the end of the 1945 insurance-writing period the Corporation had less than 200 employees both in the headquarter's office and in the field to perform the volume of work incident to 5 commodities instead of 2. It was difficult and in some cases impossible to obtain adequate personnel under wartime conditions, and most of those employed were unacquainted with the work, required training, and consequently were not as efficient as they will be for a second year's operation. Other organizations in the Department, particularly the AAA, cooperated by making available the services of some persons from their organization during the emergency.

The Corporation encountered many difficulties in setting up its new field service of State directors with district supervisors and adjusters. Until this could be accomplished in each state, the AAA State and county organizations performed many of the field duties. However, the AAA field services were operating under conditions of limited personnel. Generally county offices were inadequately staffed, and farmers serving on committees, being unable to employ labor and producing to the extent of their capacity, often could not give adequate time to the insurance work. Persons who in normal times would act as agents for insurance either could not spare their time for this work or found that the income compared unfavorably with what they could earn for other work. In addition, the transportation problem, with shortages of tires and gasoline, prevented many persons from acting as agents and curtailed the activities of those who were agents. So acute was the over-all situation that it has been estimated by field representatives in the Cotton Belt that perhaps only 10 to 15 percent of the cotton farmers were contacted. No such estimate has been made for the other commodities.

#### PARTICIPATION IN PROGRAM

Despite all of the handicaps encountered, the 1945 program was launched and a reasonable although not exceptionally large amount of insurance was written before the closing dates for taking applications. The amount written is shown in table 1, by commodities. There was a total of over 164,000 applications, covering nearly 200,000 farms. The participation for neither cotton nor spring wheat was as high as in 1943. Since flax was not insured in former years there is no basis for judging the relative participation, but apparently it was higher than the participation on spring wheat and cotton. This



may partly be accounted for by the emphasis on expanding the acreage of flax in 1945 and by an incentive payment of \$5 per acre, which could be used by the farmer to pay his insurance premium. The low over-all participation is partly accounted for by the time and personnel limitations mentioned earlier and partly by the fact that crop yields during the 3 to 4 years prior to 1945 were well above average in most States and the crop losses of the past are often forgotten by the farmer. Moreover, farm income has risen during the last few years and, with good yields and higher prices, many farmers have been able to establish reserves and felt they could carry their own insurance in 1945.

TABLE 1.—*Insurance written, by commodities, 1945*<sup>1</sup>

[United States Totals]

Commodity	Applications	Farms covered
	<i>Number</i>	<i>Number</i>
Cotton.....	95, 756	113, 183
Spring wheat.....	14, 390	23, 394
Flax.....	31, 131	38, 072
Corn.....	10, 603	12, 363
Tobacco.....	12, 564	12, 288
Total.....	164, 444	199, 300

<sup>1</sup> See footnote at end of table 2.

The amount of participation by States for cotton, spring wheat, and flax (which are the crops insured on a Nation-wide basis) is shown in table 2. Details of the insurance written on corn and tobacco are shown later in the section of this report dealing with the trial crop-insurance programs.

Both tables 1 and 2 included only the insurance that was written in counties that met the minimum-participation requirements. It is not, therefore, quite the total of the insurance written. These tables show the number of applications and the number of farms covered on the basis of information at the time applications were accepted. Final figures cannot be given until reports of the acreage planted have been summarized. The number of contracts in force will probably differ but slightly from the number of applications shown in this table. The number of farms covered by insurance probably will show substantial change.

It should be remembered that the insurance for 1945 does not include insurance on winter wheat, which in past years has represented the largest volume of insurance. Insurance is being written on the 1946 winter wheat crop at the time this report is being prepared. Applications have been submitted covering more than 300,000 winter-wheat farms. It is probable, therefore, that insurance for all commodities in 1946 will cover more than a half million farms, reaching at least the amount of insurance in 1943, before the program was discontinued.



TABLE 2.—Insurance written on cotton, flax, and spring wheat, by States, 1945 <sup>1</sup>

State	Cotton		Flax		Spring wheat		Total, all commodities	
	Appli-cations	Farms covered	Appli-cations	Farms cov-ered	Appli-cations	Farms cov-ered	Appli-cations	Farms cov-ered
	Num-ber	Num-ber	Num-ber	Num-ber	Num-ber	Num-ber	Num-ber	Num-ber
United States	95,756	113,183	31,131	38,072	14,390	23,394	141,277	174,649
Alabama	10,312	10,800					10,312	10,800
Arizona	288	630			18	42	306	672
Arkansas	5,112	5,989					5,112	5,989
California	42	67					42	67
Colorado					194	418	194	418
Florida	213	220					213	220
Georgia	6,165	6,367					6,165	6,367
Idaho					306	796	306	796
Illinois	268	312					268	312
Iowa			1,639	1,655	31	29	1,670	1,684
Kansas			2,681	3,907			2,681	3,907
Kentucky	81	99					81	99
Louisiana	2,814	2,995					2,814	2,995
Michigan			271	276			271	276
Minnesota			20,536	23,550	4,597	4,961	25,133	28,511
Mississippi	6,687	6,796					6,687	6,796
Missouri	4,297	5,373	449	471			4,746	5,844
Montana			203	682	704	2,133	907	2,815
Nevada					34	35	34	35
New Mexico	1,296	1,936					1,296	1,936
N. Carolina	3,655	4,108					3,655	4,108
N. Dakota			3,432	4,859	4,842	7,907	8,274	12,766
Oklahoma	12,767	16,425					12,767	16,425
Oregon					52	117	52	117
S. Carolina	6,651	6,653					6,651	6,653
S. Dakota			1,816	2,571	2,916	5,704	4,732	8,275
Tennessee	984	1,117					984	1,117
Texas	33,915	43,069					33,915	43,069
Utah					129	137	129	137
Virginia	209	227					209	227
Washington					312	822	312	822
Wisconsin			104	101	222	220	326	321
Wyoming					33	73	33	73

<sup>1</sup> The figures, by commodities, for number of farms covered are influenced materially by the necessity of counting the farm only once in meeting minimum-participation requirements even though 2 or more commodities grown thereon are insured and even though 2 or more interests are insured. Furthermore, the figures for number of farms covered are also subject to the planting of the insured crop on the farm. Final figures, comparable to data shown in previous annual reports, will probably differ substantially from those shown in this report.

EFFECT OF MINIMUM-PARTICIPATION REQUIREMENT

The submission of applications for insurance covering 50 farms will meet the minimum-participation requirement. In counties where less than 150 farms normally produce commodities authorized to be insured, applications covering one-third of the farms normally produc-

ing such commodities will meet the minimum. This requirement of the act is handled administratively by not closing the insurance contract with the applicants in a county until the minimum requirement for the county has been met.

If such requirement is not met, all the applications for insurance in the county are rejected. In 1945, applications had to be rejected for this reason in 30 percent of the counties where insurance was written but such rejections involved only 2.6 percent of the total applications received. Thus it is seen that even though a relatively large proportion of the counties failed to meet the minimum, only a small proportion of the applications were involved.

The purpose of the minimum-participation provision of the act was in part to eliminate the expense of operating an insurance program in counties where there is not a substantial demand for insurance. It is true that the cost of servicing contracts is eliminated in such counties. However, a substantial part of the expense of operating a program is expended in the establishment of farm yields and premium rates, and this cost is incurred in those counties which fail to meet the minimum as well as those counties where the minimum is met. The only way to avoid this cost in counties which fail to meet the minimum is to predetermine that the minimum requirement will not be met and therefore not to offer insurance in such counties. Such predetermination is not generally feasible.

Another purpose of this provision was the belief that those persons desiring insurance in a county would use their influence to convince other farmers in the county of the merits of carrying insurance protection on their crops so as to reach the minimum. No doubt this influence was effective in some counties. However, based on reports of participation in the 1945 program, any benefit derived from this influence may have been offset by using the minimum as the goal.

A minor exception was provided to the minimum participation requirement. If a county had no insurance program, the exception permitted farms situated in a local producing area bordering on a county with a crop insurance program to be insured in such bordering county. The purpose of this exception was not to avoid meeting the minimum requirement but was to take care of isolated areas with a small number of producers. It was intended in general that a local producing area would be a small area which is similar to an adjacent area in an adjoining county, but which differs from the surrounding area in the county in which such local area is situated. Only four such areas are approved for 1945.

### WHEAT CROP INSURANCE

Only spring wheat was insured in 1945, because the winter-wheat crop for 1945 was seeded before the amendment to the act was passed. Based upon the number of applications submitted, approximately 14,390 contracts are in force in 14 spring-wheat States covering 23,394 farms. The amount of premiums on this business is about 1,150,000 bushels but this figure will be modified slightly when all the acreage reports are completed and summarized. The insurance is written on the basis of a 3-year term contract. Although such contract covers only spring wheat in 1945, it will cover both spring and winter wheat in 1946 and 1947.



A choice of coverage, either 75 percent or 50 percent of the average yield, is offered. About three-fourths of the spring wheat applications were for 75-percent coverage. The protection for both 75-percent and 50-percent coverage is restricted somewhat on wheat acreage that is not harvested. On any acreage of wheat destroyed and seeded to a substitute crop after a release of the acreage by the Corporation, the minimum amount of wheat production which can be counted is one-half of the coverage. On any other insured acreage of wheat not harvested, including acreage cut for hay or summer-fallowed after a release thereof by the Corporation, the minimum amount of wheat production which can be counted is one-fifth of the coverage, or 5 bushels, whichever is the smaller.

Since insurance is against loss in yield, it was necessary to establish farm average yields. Such yields were for a representative period of years and were based on actual acreage and production records when such records were available. When actual records were not available, the average yield was appraised based on the actual yield for a similar farm. Premium rates were also established for the wheat farms. Each farm in the county has the same basic rate per acre. However, this rate was increased on extra hazardous farms to reflect the risk of loss thereon. The wheat premium rate averages about 1.5 bushels per acre for the country as a whole, although this figure varies from a low of 0.5 bushel per acre in some counties to over 3 bushels per acre in other counties, depending upon the risk of loss. The amount of premium for any insured producer is based on the acreage seeded to wheat, the premium rate per acre, and the producer's share in the crop. Even though the premium is computed in bushels, payment is generally in the cash equivalent because this is more convenient to the insured and to the Corporation. The premium is due the Corporation about harvesttime.

#### FLAX CROP INSURANCE

Flax crops were insured on the basis of an annual contract in 1945 in the principal flax-producing areas. The limited amount of actuarial data precluded the insurance of flax in the minor producing areas. Also, no insurance was written on flax in areas where fall or winter seeding is customary as flax for harvest in 1945 was seeded in such areas before the new amendment was passed. Based upon the number of applications submitted, approximately 31,131 contracts are in force in 9 States covering 38,072 farms. The amount of premiums on the business is about  $\frac{1}{2}$  million bushels, but this figure will be modified slightly when all the acreage reports are completed and summarized.

A choice of coverage, either 75 percent or 50 percent of the average yield, is offered. About nine-tenths of the flax applications were for 75-percent coverage. The protection for both 75-percent and 50-percent coverage is restricted somewhat on flax acreage that is not harvested. On any acreage of flax destroyed and seeded to a substitute crop after a release of the acreage by the Corporation, the minimum amount of flax production which can be counted is one-half of the coverage. On any other insured acreage of flax not harvested, including acreage summer fallowed after a release thereof by the Corporation, the minimum amount of flax production which can be counted is one-fifth of the coverage.



Since insurance is against loss of yield, it was necessary to establish farm-average yields. Such yields were for a representative period of years and were based on actual acreage and production records, when such records were available. When actual records were not to be had, the average yield was appraised. Such appraisal had to be made for most of the flax farms. Premium rates were also established for the flax farms. Each farm in a county has the same basic rate per acre. However, this rate was increased on extra-hazardous farms to reflect the risk of loss thereon. The flax premium rate averages about 0.8 bushel of flaxseed per acre for the country as a whole, although this figure ranges from a low of 0.4 bushel in some counties to 1.5 bushels per acre in other countries, depending on the risk of loss. The amount of premium for any insured producer is based on the acreage seeded to flax, the premium rate per acre, and the producer's share in the crop. Even though the premium is computed in bushels, payment is generally in the cash equivalent because this is more convenient to the insured and to the Corporation. The premium is due the Corporation about harvesttime.

### COTTON CROP INSURANCE

Insurance was offered in 1945 only on American upland cotton. Based on the number of applications submitted, approximately 95,756 cotton contracts are in force, covering 113,183 farms. The amount of premiums on this business is about 23 million pounds, but this figure will be modified slightly when all the acreage reports are completed and summarized. The insurance is written on the basis of an annual contract.

A choice of coverage, either 75 percent or 50 percent of the average lint-cotton yield, is offered. About two-thirds of the cotton applications were for 75-percent coverage. The protection for both 75-percent and 50-percent coverage increases with the progress of the crop. On any cotton acreage released by the Corporation because the crop is destroyed or substantially destroyed after it is too late to replant to cotton but before the first cultivation, the effective coverage is two fifths of the maximum coverage. On any acreage released because of destruction or substantial destruction of the crop after the first cultivation but before the beginning of harvest, the effective coverage is three-fourths of the maximum coverage. If a low-yielding crop results in a loss under the contract, three-fourths of such loss is paid: The other one-fourth represents the savings in harvesting cost on the cotton not produced.

The act provides not only for insurance against loss of lint cotton but also for insurance against loss of cottonseed production. Insurance against loss of cottonseed production is provided by increasing the premium and indemnity, if any, determined for lint cotton by 20 percent. In 1942 and 1943 all the cotton insurance automatically included the cottonseed provision. However, this provision was made optional for 1945. That is, a grower may insure only his lint-cotton production, or if he desires, he may also insure his cottonseed production. He cannot insure his cottonseed production alone. About 73 percent of the insured cotton growers have insured their cottonseed production for 1945.

Since insurance is against loss of yield, it was necessary to establish farm-average yields. Such yields were for a representative period of years and were based on actual acreage and production data when such data were available. When such data were not available, the average yield was appraised, based on an actual average yield for a similar farm. Cotton differs from other commodities in that individual farm premium rates were established based in part on the loss experience for the farm and in part on the loss experience for the county. The premium rate averages about 14 pounds per acre for the country as a whole, although this figure ranges from a low of about 5 pounds in some counties to over 30 pounds in other counties, depending upon the risk of loss. The amount of premium for any insured producer is based on the acreage planted to cotton, the premium rate per acre, and the producer's share in the crop. Even though the premium is computed in pounds, payment is generally in the cash equivalent because this is more convenient to the insured and to the Corporation. The premium is due the Corporation about harvesttime.

### TRIAL CROP INSURANCE

As previously pointed out in this report, trial crop insurance is restricted by the act to a period of 3 years for each commodity and to corn and tobacco in 1945. It is further restricted to a maximum of 20 counties which are to be representative of the various producing areas. The purpose of such insurance is to determine the most practical plan, terms, and conditions of insurance on the commodities.

Trial crop insurance is authorized by the new amendment not only against loss of yield but also against loss of investment. The coverage under investment insurance is stated in dollars, and the amount of loss is determined as the amount by which the returns from a crop in the year of insurance fail to equal the coverage. As the returns from a crop are influenced by yield, quality, and price, it would appear at first that all three of these factors are covered by investment insurance. However, the price-support program of the Department practically eliminates any risk due to declining prices, thus leaving essentially the yield and quality factors to be covered by investment insurance.

Because of the different problems arising in the corn and tobacco trial insurance programs, the 1945 programs for these commodities are presented separately below.

#### CORN

Only field corn was insured under the trial program. As shown in table 3, insurance was offered in 15 representative counties in 13 States. Insurance may be offered in the full 20 counties in 1946. In selecting the 15 counties, such factors as availability of actuarial data, representativeness of the area with respect to productivity, production hazards, size of farms, acreage devoted to corn, kind of soil, and farming practices were considered. Table 3 also shows the number of applications and the number of farms covered in these 15 counties. The number of contracts in force will possibly differ but slightly from the number of applications. Thus, there are approximately 10,603 contracts in force, covering 12,363 farms.

Insurance against both loss of yield and loss of investment was offered on corn. However, only one plan of insurance was generally



offered in a county. The plan which appeared to the Corporation to be most acceptable in the county was the one offered therein. The yield plan was offered in 12 of the 15 counties. Under this plan of insurance, the grower is given the choice of insuring either 75 percent or 50 percent of the average yield for the farm. The investment plan was offered in 2 of the remaining counties and both the yield and investment plans were offered in the third remaining county.

In counties where investment insurance was offered, cost-of-production figures were studied and a typical cost figure was determined. The amount of coverage for a farm is 75 percent of this figure except where the typical cost figure exceeds the cash equivalent of the farm average yield. In such a case the amount of coverage is not 75 percent of the typical cost figure but is limited to 75 percent of the cash equivalent of the farm average yield.

Under both the yield and investment plans of insurance, the amount of coverage is reduced on unharvested acreage to reflect the savings in production and harvesting costs. If the acreage is released by the Corporation following the destruction or substantial destruction of the crop after it is too late to replant to corn, and other use is made of the acreage for the purpose of producing some other crop in 1945, the effective coverage is one-half of the maximum coverage. If the acreage is released by the Corporation for any other purpose, except for feeding the corn in the field to livestock or for ensilage or fodder purposes, the effective coverage is 85 percent of the maximum coverage. The full amount of coverage is obtained on harvested acreage and on acreage released by the Corporation for feeding the corn in the field to livestock or for use as ensilage or fodder.

#### TOBACCO

Tobacco trial crop insurance is offered on flue-cured, Burley, and cigar tobacco. As shown in table 3, insurance is offered in 13 counties located in 8 States, representing these three kinds of tobacco. The counties in Virginia, North Carolina, South Carolina and Georgia represent flue-cured tobacco. Those in Kentucky and Tennessee represent Burley tobacco, and those in Pennsylvania and Wisconsin cigar tobacco. In selecting these counties, such factors as kinds of tobacco, availability of actuarial data, representativeness of the area with respect to productivity, production hazards, size of farms, acreage devoted to tobacco, kind of soil, and farming practices were considered. The full 20 counties may be selected for 1946 with a view to extending the trial insurance program either to areas or kinds of tobacco not represented in 1945.

Table 3 also shows the number of applications and the number of farms covered in the 13 counties. The number of contracts in force will possibly differ but slightly from the number of applications. Thus there are approximately 12,564 contracts in force, covering 12,288 farms. The number of farms is less than the number of contracts because, in meeting the minimum participation requirements, the farm can be counted only once even though 2 or more commodities (such as cotton and tobacco) are insured thereon and even though 2 or more interests (such as landlord and tenant) are insured. Of the 12,564 contracts, 4,672 represent the flue-cured area, 2,429 the burley area, and 5,463 the cigar area.



TABLE 3.—*Trial crop insurance written on corn and tobacco, by counties, 1945*<sup>1</sup>

Corn				Tobacco			
County	State	Applica- tions	Farms covered	County	State	Applica- tions	Farms covered
United States		Number 10, 603	Number 12, 363			Number 12, 564	Number 12, 288
Montgomery	Illinois	952	1, 047	Cook	Georgia	314	102
Vermilion	do	274	307	Bourbon	Kentucky	300	314
Miami	Indiana	565	730	Larue	do	408	408
Buena Vista	Iowa	1, 676	1, 786	Surry	North Carolina	1, 189	1, 188
Marion	do	1, 775	963	Vance	do	616	672
Phillips	Kansas	87	143	Wilson	do	1, 364	1, 420
Kent	Maryland	263	289	Lancaster	Pennsylvania	2, 584	2, 015
Hillsdale	Michigan	1, 337	1, 501	Marion	South Carolina	353	385
Redwood	Minnesota	496	641	Greene	Tennessee	1, 187	1, 297
Carroll	Missouri	939	1, 235	Maury	do	534	605
Saunders	Nebraska	480	654	Lunenburg	Virginia	294	325
Champaign	Ohio	377	401	Pittsylvania	do	542	477
Chester	Pennsylvania	731	828	Vernon	Wisconsin	2, 879	3, 080
Turner	South Dakota	340	489				
Sauk	Wisconsin	1, 311	1, 349				

<sup>1</sup> The figures, by commodities, for number of farms covered are influenced materially by the necessity of counting the farm only once in meeting minimum-participation requirements even though 2 or more commodities grown thereon are insured and even though 2 or more interests are insured. Furthermore, the figures for number of farms covered are also subject to the planting of the insured crop on the farm. Final figures will probably differ substantially from those shown in this report.

Two plans of insurance are offered in tobacco. One is referred to as the yield-quality plan and the other is the loss-of-investment plan. Quality is a more important factor in tobacco than in most other commodities. Although tobacco yields may remain relatively stable from year to year, such factors as plant diseases, excess or deficient rainfall, other weather conditions, etc., make for wide fluctuations in quality. Low quality is generally accompanied by low prices. Consequently, even though satisfactory yields may be obtained, the production may be of such quality that the returns therefrom are very low in a market sufficiently remunerative for average quality tobacco. Therefore, a trial insurance plan for tobacco based alone on loss of yield probably would not afford adequate protection to tobacco producers. For this reason, the yield-quality plan was developed based on variations in both yield and quality. Only 75-percent insurance is offered under this plan. The coverage is a dollar figure determined at the end of the season by multiplying the coverage in pounds of tobacco by the average or representative price for tobacco in the year of insurance, as adjusted upward or downward for individuals to reflect their past experience over a period of years in selling at prices above or below the market average.

In counties where investment insurance was offered, cost of production figures were studied and a typical cost figure has been determined. The amount of investment coverage for a farm is 75 percent of this figure except that such coverage is limited to the coverage computed for the yield-quality plan. Under both the yield-quality and the investment plans of insurance, the amount of coverage is modified on released acreage to reflect the savings in cost on such acreage. If the acreage is released by the Corporation because the crop is destroyed or substantially destroyed after it is too late to replant to tobacco but before the beginning of harvest, the effective coverage is 45 percent of the maximum coverage. If the tobacco is destroyed or substantially destroyed because of damage occurring after the beginning of harvest but before the beginning of grading, the effective coverage is 90 percent of the maximum coverage. Full coverage is obtained after the crop is harvested and cured and grading has begun.

Under both the yield-quality and the investment plans of insurance, the coverage is determined in dollars and the amount of loss is the difference between the coverage and the returns from the crop in the year of insurance. The two plans differ, however, in that the coverage under the yield-quality plan varies with the ability of the grower to produce high yields and good quality, while the coverage under the investment plan is uniform except on low-yielding farms. They also differ in the level of coverage, since in most cases the yield-quality coverage includes some protection against loss of income while the investment coverage only includes protection against loss of investment. In 2 of the 13 counties, only yield-quality insurance was offered because cost of production figures were not available for these counties in 1945. In the other 11 counties, both yield-quality and investment insurance were offered. Nearly nine-tenths of the insured tobacco growers in these 11 counties elected yield-quality insurance.



## INSURANCE FOR 1946 CROPS

Although no insurance was written on the 1946 crops in the fiscal year 1945, except the wheat crops in the spring-wheat area which were insured in 1945 on the basis of a 3-year contract, plans for the 1946 crop-insurance programs were begun immediately after the writing of insurance on the 1945 crops. These early preparations were necessary in order to make insurance available for the 1946 crops well in advance of planting time. Both the winter-wheat crop and the fall-seeded flax crop for 1946 will be seeded in the fall of 1945. Consequently, plans for the insurance program on these crops have already been incorporated into regulations. There is no major change in the 1946 wheat or flax-insurance programs from the policies developed for the 1945 programs except that insurance is being extended to winter wheat and fall-seeded flax.

In cotton one major change from the 1945 program is the offering of insurance for 1946 on the basis of a continuing contract rather than an annual contract. Such a contract is to continue in force each succeeding year until terminated by either the insured or the Corporation. Notice of termination for any ensuing year is to be given the other party on or before a specified date which must be prior to the beginning of planting of the cotton crop for such year. In developing a continuous contract, the Corporation is mindful of the possible need for changes in future year. Since the insured will have the opportunity to terminate the contract as of the end of any year, he is thus not bound to accept the changes which may be made in the contract.

Another change from the 1945 cotton program is the adoption for 1946 of a uniform premium rate for all farms within a county. A third change being refined concerns the modified insurance protection to reflect savings in cost on cotton acreage not harvested. It was pointed out earlier in this report that the insurance protection for all the insurable commodities increased with the progress of the crop but that two methods were used on the various commodities in 1945 to effect the increase. With a view to having the same method in 1946 for the commodities insured on a Nation-wide basis, the cotton program is being changed from the reduced-coverage method to the method of crediting a minimum amount of production against the full coverage. The amount of indemnity payable will not be substantially different under either method. No other major change is anticipated in the 1946 cotton crop insurance program from the policies developed for the 1945 program.

The new legislation provides that trial insurance may be started on three additional commodities each year after 1945. Consideration already is being given to the selection of new crops for trial insurance beginning in 1946. Three primary considerations in selecting new crops are the expressed interest of producers and other persons in an insurance program on the crop, the importance of the crop to the farmers of the Nation, and the availability of sufficient actuarial data.

The expressed interest of citrus fruit growers for an insurance program on citrus fruit is of long standing. In fact, an amendment



was introduced in Congress as early as 1940 with the view of extending Federal crop insurance benefits to citrus growers. For about 6 years the Department has been conducting research work with respect to insurance on citrus fruits. Consequently, citrus fruit has been receiving consideration as a crop on which insurance may be offered for 1946.

Consideration is being given to a trial program for several other crops. Farmer interest has been evidenced in insurance programs on tung, sugar crops, canning peas, tomatoes, strawberries, dry beans, potatoes, peanuts, and other crops. Of these, the greatest amount of interest expressed is in programs for potatoes and peanuts. As these two crops are of considerable importance to the farmers of the Nation and there appears to be sufficient actuarial data for an insurance program on them, the Corporation is collecting data and conducting research with the view of formulating a trial crop insurance program on them for 1946. Although studies are being made on citrus fruits, potatoes, and peanuts to determine the possibility of offering insurance on these crops in 1946, it is not possible at this time to determine that the Corporation will be in a position to place a program in operation on these crops.

### FINANCIAL REPORTS

The financial reports shown herein consist of a comparative balance sheet, a comparative statement of administrative and operating expenses, and a summary by years of administrative and operating expenses since the origin of the Corporation.

Although insurance was in force on June 30, 1945 on 1945 crops as shown in table 1, the financial statements do not show the premium income for this business. Even though premium notes are taken with the application, the amount of these notes, even in commodity units, such as bushels of wheat or pounds of cotton, cannot be fixed until the acreage planted on each farm has been determined and summaries made. This work was not completed as of June 30.

Even after the amount of premium notes are established in commodity units they cannot be included on a dollar basis in the financial statements until the cash equivalent price has been established at maturity of the notes. As of June 30, 1945 only a very few of these notes had been converted to a cash basis. This was for farms in early-harvest areas where the notes mature early. The amount of these together with a small amount of premiums paid in advance are shown in the balance sheet under "Reserve for Indemnity Claims" but, except for this minor amount, the premium income on 1945 crops is not shown. It is estimated on the basis of current price levels that the premiums on 1945 insured crops will amount to approximately 9.5 million dollars. Losses to be paid out of this premium income will be determined subsequent to June 30, 1945.

Equipment owned by the Corporation does not appear in the balance sheet as purchases of equipment are made from funds appropriated separately for administrative and operating expenses.

## EXPLANATORY COMMENTS ON BALANCE SHEET (Exhibit A, p. 23)

## CASH

Cash amounting to \$1,812,978.61 was on deposit with the Federal Reserve Banks and the Chief Disbursing Officer of the Treasury Department as of June 30, 1945. The facilities of the Disbursing Office of the Treasury are used by the Corporation for deposits and disbursements—the Treasury Department being utilized as the depository for funds of the Headquarters Office, whereas Federal Reserve Banks are used as depositories at branch office locations.

## ACCOUNT RECEIVABLE

The decrease of \$1,130,938.16 in insured growers' accounts during the fiscal year 1945 represents for the most part collections on insurance premium notes for 1942 and 1943 crop years. The balance in this account amounting to \$958,762.23 as of June 30, 1945, with the exception of approximately \$33,000 cotton notes matured for the crop year 1945, represents primarily the balance of insurance premium notes due for the 1942 and 1943 crop years. This represents a reduction of more than half in the outstanding premium notes during the year. Since the notes taken for insurance in 1942 and 1943 represented about 32 million dollars, the outstanding balance on these notes represents less than 3 percent.

The balance due from the administrative fund amounting to \$34,557.32 is comprised of amounts paid from capital funds for storage expenses which are reimbursable from the administrative funds. Adjustments of these accounts are made periodically.

The amount of \$303.28 due from the Agricultural Adjustment Agency represents an unsettled balance which originated in connection with past insurance premium transactions. Accounts receivable "Other" in the amount of \$3,102.50 represents an unsettled claim against the Cutsinger Elevator Company, Edinburg, Ind.

## ACCOUNTS PAYABLE

"Indemnities payable (estimated)" amounting to \$512,093.65 is an estimate of the Corporation's liability for approved but unpaid indemnity claims that are evidenced by outstanding certificates of indemnities. The liability includes a substantial amount due the Commodity Credit Corporation for unredeemed loans secured by crop insurance indemnity certificates applicable to the 1943 cotton crop. Settlement will be made in the fall of the 1946 fiscal year.

Cash transfers were made during the 1945 fiscal year covering the amounts due the Agricultural Adjustment Agency and the Commodity Credit Corporation, as of June 30, 1944.

The amount of \$528,356.34 due the administrative fund, as of June 30, 1944, covering storage recoveries was liquidated by transfer of cash to the administrative funds during the 1945 fiscal year.

Accounts payable "Other" amounting to \$43.25 represents the liability for unrepresented checks that have been canceled by the Corporation.



## DEFERRED CREDITS

The balance in this account consists of premium collections in the amount of \$6,034.75, the distribution of which was not completed as of June 30, 1945.

## RESERVE FOR INDEMNITY CLAIMS

The balance in this account amounting to \$39,629.79 represents insurance premiums on the 1945 crop, consisting of collections on 1945 notes in advance of maturity amounting to approximately \$6,629.79 and approximately \$33,000 of matured cotton notes uncollected. No charges had been made against this reserve for indemnity claims as of June 30, 1945.

## CAPITAL

The Corporation's enabling act authorized capital stock in the amount of \$100,000,000. Of this amount \$40,000,000 had been subscribed by the Secretary of the Treasury in past years and was outstanding as of June 30, 1945. An additional appropriation of \$30,000,000 was made to the Secretary of the Treasury during the fiscal year 1945, but had not been requisitioned by the Corporation as of June 30, 1945.

The operating deficit of \$37,748,097.50, as indicated in Exhibit A, represents the total deficit from operations applicable to crop years from 1939 to 1943, inclusive. Following is a summary of the operating deficit by commodities, as of June 30, 1945, and June 30, 1944, showing the increase in deficit for the 1945 fiscal year:

Commodity and crop years	Operating deficit		Increase
	Fiscal year 1945	Fiscal year 1944	
Wheat, 1939 to 1943-----	\$26, 304, 055. 25	\$26, 200, 177. 89	\$103, 877. 36
Cotton, 1942 and 1943-----	11, 439, 475. 86	11, 023, 417. 67	416, 058. 19
Other charges-----	4, 566. 39	3, 448. 00	1, 118. 39
Total-----	37, 748, 097. 50	37, 227, 043. 56	521, 053. 94

The increase in deficit during the fiscal year 1945 resulted from indemnity claims approved during that year on contracts applicable to prior crop years. Indemnity claims approved during the fiscal year 1945 which were responsible for the increase in deficit were as follows:

Commodity	Number of claims
Cotton-----	975
Wheat-----	369
Total-----	1, 344

A summary of the Corporation's insurance experience from its origin to June 30, 1944, together with explanatory comments will be found in the Annual Report of the Manager of the Corporation for the Fiscal Year 1944.

EXPLANATORY NOTES ON ADMINISTRATIVE AND OPERATING EXPENSES  
(Exhibits B and C, pp. 24 and 25)

Exhibit B reflects a comparison of administrative and operating expenses for the 1945 and 1944 fiscal-year appropriations as of June

30, 1945. The increase in total expenses amounting to \$1,037,739.02 for the fiscal year 1945 over the fiscal year 1944 is due to the renewed activity under the Corporation's insurance program during the fiscal year 1945.

Salesman's commissions as such appears as a separate item of expense for the first time in the 1945 fiscal year. In previous years the cost of selling was covered in the allotment to the Agricultural Adjustment Agency although for 1944 there were no selling costs, as no new business was written. The amount of such commissions in 1945 was \$491,361.00.

No commodities were purchased by the Corporation during the fiscal year 1945, therefore there was no commodity purchase expense during that year.

The decrease in commodity storage expenses is due to activities during the fiscal year 1945 having been restricted to the recording of storage recoveries as deductions from indemnity payments, such storage expense having been paid by the Corporation prior to the fiscal year 1945.

Exhibit C summarizes the administrative expenses of the Corporation by fiscal years on a basis of total appropriations for each of the years that the Corporation has been operating. It will be noted that no appropriation was made for the year 1945; all funds were reappropriated from the savings for the years 1943 and 1944.

The small changes reflected in expenses for fiscal years 1942, 1943, and 1944, as compared with the report of June 30, 1944, result from liquidation or cancellation of unliquidated obligations for those years during the fiscal year 1945. The reduction in storage costs for 1944 arises from the collection of storage recoveries, as indicated in a preceding paragraph of this report. The detail of expenses for the fiscal years 1945 and 1944 are shown in Exhibit B.

Direct expenses of the Corporation for the period from organization to June 30, 1945, amounted to \$11,145,458.52 as reflected in Exhibit C. This amount represents expenses of the headquarters and branch offices and includes storage expense in the amount of \$1,818,864.94. The expenses for the same period for cooperating agencies which have contributed toward the operations of the program amount to \$21,815,345.59 of which \$20,668,228.12 was expended by the Agricultural Adjustment Agency. This is approximately 63 percent of the total program expenses and reflects to a great extent the cost of field operations. Beginning in 1945, field expenses for salesmen's commissions and loss adjustments are paid directly by the Corporation.



## Exhibit A

*Comparative balance sheet for fiscal years ended June 30, 1945, and June 30, 1944, as of June 30, 1945*

ASSETS			
	Fiscal year ended—		
	June 30, 1945	June 30, 1944	Increase or decrease
Cash -----	\$1, 812, 978. 61	\$3, 146, 006. 97	—\$1, 333, 028. 36
Accounts receivable:			
Insured Growers-----	958, 762. 23	2, 089, 700. 39	—1, 130, 938. 16
Administrative Fund-----	34, 557. 32	-----	34, 557. 32
Agricultural Adjustment Agency-----	303. 28	-----	303. 28
Other-----	3, 102. 50	3, 359. 18	—256. 68
Total Accounts Receivable-----	996, 725. 33	2, 093, 059. 57	—1, 096, 334. 24
Total assets-----	2, 809, 703. 94	5, 239, 066. 54	—2, 429, 362. 60
LIABILITIES AND CAPITAL			
Accounts Payable:			
Indemnities Payable (estimated)-----	\$512, 093. 65	\$769, 621. 67	—\$257, 528. 02
Administrative fund-----	-----	528, 356. 34	—528, 356. 34
Agricultural Adjustment Agency-----	-----	999, 723. 66	—999, 723. 66
Commodity Credit Corporation-----	-----	167, 341. 16	—167, 341. 16
Other-----	43. 25	1, 067. 27	—1, 024. 02
Total accounts payable-----	512, 136. 90	2, 466, 110. 10	—1, 953, 973. 20
Deferred credits—Undistributed receipts-----	6, 034. 75	-----	6, 034. 75
Reserve for indemnity claims-----	39, 629. 79	-----	39, 629. 79
Total liabilities-----	557, 801. 44	2, 466, 110. 10	—1, 908, 308. 66
Capital:			
Capital Stock authorized--	100, 000, 000. 00	100, 000, 000. 00	-----
Less: Unissued stock-----	60, 000, 000. 00	60, 000, 000. 00	-----
Capital Stock Outstanding---	40, 000, 000. 00	40, 000, 000. 00	-----
Operating Deficit, 1939-1943 Crop Years-----	—37, 748, 097. 50	—37, 227, 043. 56	—521, 053. 94
Net capital-----	2, 251, 902. 50	2, 772, 956. 44	—521, 053. 94
Total liabilities and capital-----	2, 809, 703. 94	5, 239, 066. 54	—2, 429, 362. 60

## Exhibit B

*Comparative statement of administrative and operating expenses for the 1945 and 1944 fiscal year appropriations, as of June 30, 1945*

Item	Expenses, as of June 30, 1945		Increase or decrease
	1945 Appropriation	1944 Appropriation	
Direct expenses except commodity storage:			
Personal services-----	\$421, 777. 01	\$785, 359. 67	-\$363, 582. 66
Travel-----	55, 360. 46	31, 821. 75	23, 538. 71
Transportation of things-----	12, 317. 28	4, 999. 63	7, 317. 65
Communication services-----	8, 989. 38	9, 436. 86	—447. 48
Rents and utility services-----	14, 628. 11	36, 954. 80	—22, 326. 69
Printing and binding-----	43, 732. 86	-----	43, 732. 86
Other contractual services-----	13, 066. 74	3, 720. 39	9, 346. 35
Salesmen's commissions-----	491, 361. 00	-----	491, 361. 00
Commodity purchase expense-----	-----	26, 431. 89	—26, 431. 89
Supplies and materials-----	31, 995. 20	2, 523. 09	29, 472. 11
Total direct expenses except commodity storage-----	1, 093, 228. 04	901, 248. 08	191, 979. 96
Commodity storage:			
Wheat-----	—500. 57	20, 891. 73	—21, 392. 30
Cotton-----	—1, 632. 86	8, 196. 53	—9, 829. 39
Total direct expenses-----	1, 091, 094. 61	930, 336. 34	160, 758. 27
Allotted to cooperating agencies:			
Agricultural Adjustment Agency-----	1, 550, 000. 00	770, 000. 00	780, 000. 00
Bureau of Agricultural Economics-----	55, 000. 00	-----	55, 000. 00
Office of the Solicitor-----	25, 000. 00	-----	25, 000. 00
Treasury Department:			
Treasurer's Office-----	-----	14, 733. 00	—14, 733. 00
Divison of Disbursement-----	2, 923. 00	2, 539. 00	384. 00
Total expenses of cooperating agencies-----	1, 632, 923. 00	787, 272. 00	845, 651. 00
Total expenses (excluding equipment purchases)-----	2, 724, 017. 61	1, 717, 608. 34	1, 006, 409. 27
Equipment purchased-----	31, 329. 75	-----	31, 329. 75
Total expenses-----	2, 755, 347. 36	1, 717, 608. 34	1, 037, 739. 02



Summary of administrative and operating expenses by appropriations, as of June 30, 1945

Fiscal year	Appropriations	Net transfers	Amount available	Expenses						Total expenses	Savings
				Federal Crop Insurance Corporation			Cooperating agencies				
				General	Storage	Total	AAA	Other	Total		
1938	\$965,000	-----	\$965,000	\$234,546.07	-----	\$234,546.07	-----	-----	-----	\$234,546.07	\$730,453.93
1939	5,500,000	-\$500,000	5,000,000	1,648,362.41	\$305,621.27	1,953,983.68	\$2,245,743.31	\$151,580.77	-----	4,351,307.76	648,692.24
1940	5,423,200	+400,000	5,823,200	1,320,437.79	858,317.17	2,178,754.96	3,280,167.88	191,916.17	-----	5,650,839.01	172,360.99
1941	5,423,200	+100,000	5,523,200	1,148,169.32	865,396.92	2,013,566.24	2,814,455.20	200,737.64	-----	5,028,759.08	494,440.92
1942	8,559,827	-----	8,559,827	1,598,109.70	-178,857.13	1,419,252.57	5,123,282.73	232,994.08	-----	6,775,529.38	1,784,297.62
1943	8,572,954	-1,900,000	6,672,954	1,350,210.20	-58,568.12	1,291,642.08	4,884,579.00	269,693.81	-----	6,445,914.89	227,039.11
12-112/3000.017-	550	-----	550	494.22	-----	494.22	-----	-----	-----	494.22	55.78
1944	3,500,000	-1,450,000	2,050,000	901,248.08	29,088.26	930,336.34	770,000.00	17,272.00	-----	1,717,608.34	332,391.66
1945	-----	+3,350,000	3,350,000	1,124,557.79	-2,133.43	1,122,424.36	1,550,000.00	82,923.00	-----	2,755,347.36	594,652.64
1250113 (penalty mail)	458	-----	458	458.00	-----	458.00	-----	-----	-----	458.00	-----
Total	37,945,189	0	37,945,189	9,326,593.58	1,818,864.94	11,145,458.52	20,668,228.12	1,147,117.47	-----	32,960,804.11	4,984,384.89







